

1998 Revenue Review

In 1998, 90.8 percent of all tax revenue collected by the State of Nebraska was collected by the Nebraska Department of Revenue. Tax collections for the year were \$2,558 million, an increase of \$24.0 million or 0.9 percent above 1997. The receipts from permits, fees, and licenses collected by the department were \$1.10 million, a decrease of 15.4 percent from the previous year.

Nearly three-quarters of the department's net tax receipts in 1998 were from state sales tax and income

taxes. Net individual income tax receipts increased \$8.8 million to \$998.5 million in 1998, an increase of 0.9 percent from 1997. Net receipts from corporation income tax were \$143.6 million in 1998, up \$9.5 million or 7.1 percent from 1997. Net state sales and use tax receipts for 1998 totaled \$885.4 million, a decrease of \$10.2 million or 1.2 percent below 1997. Sales tax receipts included \$115 million of sales tax on motor vehicles.

The largest share of tax revenue is deposited in the State General Fund. General Fund revenue sources accounted for 76.9 percent of the total revenue collected by the Department of Revenue in 1998. Sales and income taxes are the primary sources of General Fund revenue.

Motor fuels taxes and sales tax on motor vehicles are deposited in state highway funds. Revenue deposited in the Highway Trust Fund, Highway Allocation Fund, and the Highway Cash Fund accounted for 13.6 percent of revenue collections.

In 1998, 7.3 percent of revenue collections were distributed to local governments. City sales tax and county lodging tax are collected by the Nebraska Department of Revenue and distributed directly to cities and counties.

Revenue deposited in other governmental funds accounted for the remaining two percent of collections.

The major state revenue sources are described beginning on page 9. The descriptions include the basis and current tax rate, due dates of reports and payments, administering agencies or officials, and the manner of distribution of each tax or fee.

1998 Revenue Legislation

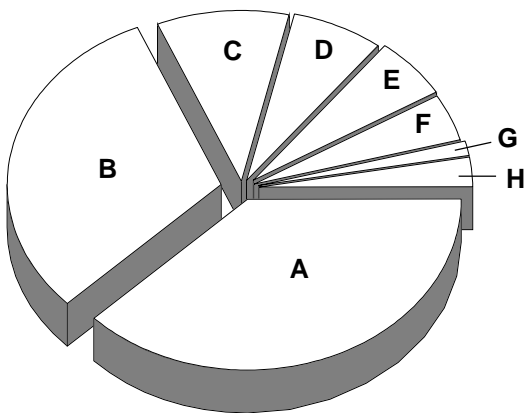
The following is a summary of the major legislation passed by the 1998 Legislature that relates to taxes collected by the Nebraska Department of Revenue.

Income Tax

Child and Dependent Care Credit (LB 1028). The child and dependent care credit has been modified for tax years 1998 and beyond. For individuals reporting federal adjusted gross income not greater

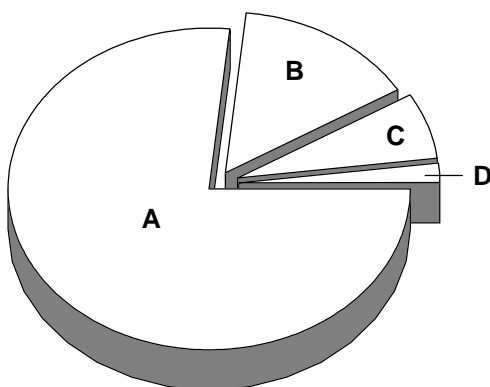
Sources of Revenue

A	Individual Income Tax	39.0%
B	State Sales and Use Tax	30.1%
C	Motor Fuels Taxes	9.2%
D	City Sales Tax	7.2%
E	Corporation Income Tax	5.6%
F	Sales Tax on Motor Vehicles	4.5%
G	Cigarette Tax	1.8%
H	Other Collections	2.6%



Distribution of Revenue

A	General Fund	76.9%
B	Highway and Road Funds*	13.6%
C	Local Governments	7.3%
D	Other Funds	2.2%



* Includes the Highway Trust Fund, Highway Allocation Fund, and Highway Cash Fund

than \$22,000, the credit is refundable and is 100% of the federal credit. For individuals reporting federal adjusted gross income over \$22,000 and not more than \$29,000, the credit is refundable and the amount of the credit ranges from 90% to 30% of the federal credit. The percentage of the federal credit is reduced by 10% for each \$1,000 of adjusted gross income over \$22,000.

For individuals with adjusted gross income in excess of \$29,000, the credit is unchanged. The credit remains nonrefundable and is limited to 25% of the federal credit allowed. Operative for tax year 1998.

Individual Tax Rates (LB1028). The current tax rates have been extended to years beyond 1998.

Personal Exemption Credit (LB 1028). The personal exemption credits for tax years after 1998 were increased.

Medical Insurance (LB1028). The current deduction allowed for health insurance premiums by self-employed individuals was extended to tax years

beyond 1998. Premiums are deductible to the extent such expenses are not deductible federally.

Sales Tax

Sales Tax Rate Change (LB 1104). For one year beginning July 1, 1998, the Nebraska sales and use tax rate is decreased from 5.0% to 4.5%.

Miscellaneous Taxes

Quality Jobs Act (LB 939). Companies applying for benefits under the Quality Jobs Act have up to seven years to attain the required levels of investment and employment. The previous attainment period was five years. Effective for applications filed on or after January 1, 1998.

Economic Incentive Benefits (LB 1104). Interest will not be allowed on refund claims filed on or after October 1, 1998, on any economic incentive benefits.